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Corporate Social Responsibility:

What are the predominant drivers for a company to be socially responsible, and to what extent is CSR integrated with business strategies?

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Abstract

The field of corporate social responsibility (CSR) emerged as a part of the social movements of the 60's and 70's; civil rights, anti-war, consumerism, environmentalism and women's rights. This paradigm served as a catalyst for rethinking and restructuring the role of business in society. CSR is a collective term for those voluntary activities a company does, which goes beyond their fiduciary duties.

This thesis will explore the interface of corporate social responsibility and organizational capabilities. This thesis argues that the competitive advantage of firms stems from dynamic capabilities embedded in the firm's processes, rooted in the ability to innovate driven by corporate social responsibility. Findings from case-studies as part of this research indicate that an important driver for implementing CSR initiatives is to operate with less risk.

Key words: Corporate Social Responsibility (CSR), Business Strategy, Innovation, Dynamic Capabilities

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1.0 Introduction

Samuelsen stated with evangelistic conviction that: "A large corporation these days not only may engage in social responsibility, it had damn well better try to do so". This was in 1971. Quite a bit has happened in the past three, soon to be four, decades. But Samuelsen's statement has the same imperative today as then.

The field of corporate social responsibility (CSR) emerged as a part of the social movements of the 60's and 70's; civil rights, anti-war, consumerism, environmentalism and women's rights. This paradigm served as a catalyst for rethinking and restructuring the role of business in society (Freeman 1984: 38).

The philosopher Rousseau argued the existence of a “social contract” and similarly the idea of a “social contract” between businesses and society has evolved. Naturally, no contractual terms apply, however, the idea of the contract represents the notion of a relationship mutual obligations and benefits. Hence, a corporation corporate social responsibility goes beyond the laws of a particular society (and intergovernmental agreements). The research field of corporate social responsibility (CSR) is in close kinship with the idea of sustainable development, which implies a holistic focus on long-term benefits, in the terms of social, economic and environmental gains.

The legitimacy of CSR relates to a set of fundamental and crucial questions: Why do corporations exist? Should companies be concerned with their social performance as well as creating revenue? If so, what does it mean to “socially responsible”? To whom do companies owe duties – shareholders only or wider range stakeholders? When is the company responsible “enough”? (Lantos 2001: 596)? The questions illustrate the vastness of the field.

As large companies are “going global”, they are no longer mere economic entities with the sole purpose of generating revenue – companies are perceived to be an important player in society. Governmental bodies, non-governmental organisations (NGOs), academia and society at large share the underlying expectation has emerged - that corporations have a duty to act ethically and responsibly. Increasingly, businesses play a necessary and leading role in resolving the vast and wide-ranging social, environmental, and political issues arising as a result of globalization (Beardsley et al 2006). Their influence reaches beyond the ordinary business itself to politics and policy making. And in the rapidly expanding global business is increasingly harder to regulate, hence, (responsible) companies must self regulate in a larger extent.

CSR is a largely diverse field of study and many perspectives have been taken – yet, scholars still struggle to define the precise mechanisms that link business and society. Many attempts have been made to recognize the economic impact on the firm and its social policies. Yet, the direct effects of investing in CSR is seldom obvious, hence, the profitability of the investments are likewise difficult to prove.

For a company to be described as “socially responsible”, does the “good doing” need to be a conscious act? To what extend does the social initiatives need to be explicitly linked to business strategy? And finally, what about the companies that “do good”, although they do not have an explicit social strategy.

A key term is “strategy”. Only companies that make a conscious choice to act good responsible came be described as a truly socially responsible company. Both theory and practice are full of examples, in which a conscious (and socially responsible) company and a pure profit maximizing company end up making the same business decisions because the decision made is the most sensible economically. Even though, profit maximizing companies may do good from time to time, their approach is often rather short time – and there will not be a strong integrated strategy that makes socially responsible choices a part of the day to day business.

Most businesses fall into the middle on the continuum from the truly holistic and altruistic company to the pure profit maximizing company. And even though corporate social responsibility has been the academic buzzword since the ‘70s, the majority of companies have not established a strong link between business strategy and social initiatives.

Carroll and Porter take this discussion to the next level proposing that CSR is a strategic tool , arguing that the winners in the global (or local) marketplace are the companies that have the ability to comply with market changes. Furthermore, they argue that a sound and well adopted socially strategy may well be the tool to give a competitive advantage. Building on this argument, this thesis aim to integrate Carroll and Porter’s approach with Ayuso’s idea of dynamic capabilities. Dynamic capabilities reflect an organization's ability to achieve new innovative forms of competitive advantage (Ayuso et al 2006).

1.1 Research questions

This thesis argues that the competitive advantage of firms stems from dynamic capabilities embedded in the firm's processes, rooted in the ability to innovate driven by corporate social responsibility. Given that organizations have both business and social goals, an important question is whether general dynamic capabilities breeds competencies in both areas. This thesis will explore the interface of corporate social responsiblity and organizational capabilities. Both fields of study are previously extensively explored. Although the combination of the fields are still quite new as academic topic of study. The study will venture into organizational innovation in connection with corporate social responsibility. The research questions (R.Q.) are formulated as such:

- *R.Q. 1*: What are the predominant drivers for a company to choose a corporate social profile, and to what extent is the corporate social responsibilities integrated with the strategies for development and innovation?
- *R.Q. 2*: How do certain types of capabilities drive the integration of corporate social responsibility and development strategies, and how are these capabilities managed in order to ensure implementation?
- *R.Q. 3*: How do stakeholders influence (enable or restrict) a company's CSR strategies?

Within this thesis a CSR strategy is something that is rooted deeply in the organization. A CSR strategy is carried out as a conscious choice. Hence, a CSR strategy is not an ad hoc measure for short term gain. The argument is that firms generate sustainable competitive advantages by controlling and manipulating their resources and capabilities that are rare and hard-to-imitate, and therefore valuable. Engaging in CSR activities can help firms to create some of these resources and capabilities (Branco and Rodrigues 2006: 112).

2.0 Methodology

This thesis is an effort to develop a better understanding of CSR in connection with the developmental strategies of large Norwegian firms. This is an exploratory study in order to map out parts of the CSR field, and generate questions for further study in an emerging field in Norway. The relationship between corporate social performance and financial performance is ambiguous. There is a lack of theory, and a lack of methodological rigor, as well as general problems in measuring social performance. Because of this the only way to deal with the subject is to go with an open minded and explore the field.

The first challenge was to navigate through the vast material that is produced on the subject of CSR. CSR has been a buzz word for some time, and therefore when researching one is prone to find that there are a lot of people that has opinions on the subject, but not necessarily well thought out. By acquiring information through various documents and Internet searches a general notion of what I wanted to study appeared. CSR in connection with innovation and strategy is an underdeveloped research area, but extremely current affairs.

The thesis is structured into five sections. The first section aims to provide the reader with an introduction to the paper and the main thoughts around the field of CSR. The second discusses the methodology around the thesis. The third section gives the reader a comprehensive view of the main schools of thought on CSR, as well as a thorough view on the theoretical base for the thesis. Section four analyzes the responses of the interviewees and other empirical evidence, as well as applying theories for explaining the responses. This is done to put the responses in a context and better accentuate the meaning of the different statements. In section five conclusions are made and ideas for further research is presented.

2.1 Interviews and collecting information

I have structured the thesis as a case study of Norway, but with multiple sub-cases to better describe the field of CSR in large corporations in Norway. Because CSR is still quite new in Norway I have contacted large corporations that has an outspoken relationship to the field. The choice of talking to large corporations is based on the fact that very few small firms have CSR on their public agenda [this do not mean that small business don't have a relationship with CSR]. It appears that CSR is something that resourceful companies deals with.
I conducted interviews with DNB-NOR, Storebrand, Tine BA, Orkla, and Telenor. These interviews made up the sub-cases. In addition to this interviews were conducted with Innovation Norway and Sigla, both consultancy organizations. The adoption of a qualitative methodology is consistent with the fact that dynamic capabilities are embedded in firms' organizational routines and processes, and thus very difficult to identify through quantitative research. Because the theories of dynamic capabilities is concerned with resource-based rather than monopoly-based [size] advantages, the use of a sample with a variety of firm sizes and industries are appropriate (Galbreath 2005: 982). The total empirical evidence consists of five case interviews and two support interviews, a survey conducted by *Argument Gruppen AS* on CEOs' relationship with CSR, and internal documents from the respective companies (CSR reports, financial reports, Internet pages). From this the interviews have been weighted as the heaviest. But quite a bit of information has been drawn from the survey in evaluating the responses from the interviewees.

The data was collected between April and September 2007 in form of reviews of the companies' public reports and in-depth semi-structured interviews with relevant managers. The interviews were conducted at the head offices of the different companies. An interview guide was used although not rigidly applied. The firms interviewed come from different sectors therefore not all the questions were appropriate to all the companies. While the questions were left as open as possible the managers were asked to comment on stakeholder communication, strategies, financial rewards, organizational routines and how organizational innovation processes were organized. Transcripts and notes of the interviews were analyzed to identify recurring themes and links identified between the topics.

2.2 Limitations

The selection of firms were chosen because they have publicly announced that they have a CSR focus in their business. This choice was made because of the time frame and to limit the scope of the thesis. For a larger selection and a randomly chosen selection a much longer time frame would be necessary. The companies were drawn from different sectors of business. This makes it harder to compare the findings as well. On the other side it gives a much broader insight to the field of CSR in Norway. The five cases were chosen because of their relationship to CSR and the fact that they are large economic entities. This may give a skewed view of Norwegian business life considering that much of the business is generated from small- and mid-sized firms in Norway.

Perhaps the most relevant limitation to this piece of research is the character of the answers one may receive. It is highly unlikely that any of the corporate representatives will say anything harmful or controversial about their employer. The conversations structured around the interviews were good. Although it was an interview, it resembled more a conversation and an exchange of opinions. The conversations were conducted in Norwegian, which can lead to challenges in the translation into English quotes. There is a risk with translating languages, but the nature of the interviews has lead to a mutual understanding which has allowed me to make good assessments of the conversations. This thesis does not aspire to give a particularly critical view of any of the interviewed firms. The main idea is to explore and investigate the mechanism for implementing CSR into an organization. On a final note, the companies interviewed for this thesis had very structured thoughts around their CSR work. Some of the CSR initiatives discussed are still fairly young, and that limits the possibility of discussing whether CSR is truly integrated in the organizations.

2.3 Generalizability, reliability, and validity.

In social research the goal is to find laws that can be generalized and made universal (Kvale 1997: 160). The usual criticism towards a case study is the lack of ability to generalize. Conclusions are often generated by a few cases or a single case. Being the subject of study is close to impossible to measure in a quantitative manner, a quantitative research design is overruled. According to Yin (1994: 9) a case study is useful when "a how or why question is being asked about a contemporary set of events over which the investigator has little or no control", which is fitting for this study of CSR. According to Kvale (1997: 161) *analytical generalization* involves a thorough reasoning to which extent the findings can be used as a guidance for something that can occur in a similar situation. It is based on an analysis on the similarities and differences between the situations. The researcher bases his generalization claims on assertive logics. (Much like the discussions and evidence presented in a court of law.) By specifying the evidence and making the arguments explicit the reader will itself judge whether it is possible to generalize. This thesis is not an attempt to prove one true way of dealing with corporate responsibilities, it is rather an effort to better understand the vast field of different research and practice that is referred to as CSR.

Reliability is linked to the consistency of the research findings. Reliability is often connected to interviewing, transcribing an analyzing (Kvale 1997: 164). Much like in the genralizability question it is up to the reader to decide. Throughout the thesis different angels of the topic have been illuminated. I have suggested correlation between several theories and different empirical evidence. And through my interviews I have shed light on different parts of the topic. Validity is often defined as the truth of a certain statement. This refers to whether the the research itself reflect the reality studied. Kvale (1997: 164) stresses the fact the validity should be a part of the entire research process not as a separate stage in the end of the research. It should act as a quality control through the entire knowledge producing process.

2.4 Definitions

CSR is a wide field. Therefore it is important to agree upon a set of definitions. I will briefly sum up the key definitions. Other definitions and elaborations will be presented in the text body.

- *CSR:* Refers to the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm (Davis 1973: 312-313).
- *Innovation:* "A new combination of existing resources" (Fagerberg 2006: 6).
- *Organizational innovation:* Refers to the creation or adoption of an idea or behavior new to the organization (Lam 2005: 115).
- *Collective knowledge:* Is the accumulated knowledge of the organization stored in its rules, procedures, routines, and shared norms which guide the problem-solving activities and patterns of interaction among its members. Collective knowledge resembles the "memory" or "collective mind" of the organization (Lam 2006: 124).
- *Dynamic capabilities:* The firm's ability to integrate, build and reconfigure internal

and external competences to address the rapidly changing environments (Teece et al 1997: 516).

- *Stakeholder:* Any group or individual who can affect or is affected by the achievement of the firm's objectives (Freeman 1984: 25).

3.0 Literature review and theoretical exposition

The following section explores the different paradigms in CSR, and gives a comprehensive exposition of the theories utilized in this thesis.

“The term [social responsibility] is a brilliant one; it means something, but not always the same thing, to everybody” (Votaw 1973: 11). This is to many the source of the confusion around the area of corporate social responsibility (CSR). Coelho et al (2003: 16) goes as far as saying that: “corporate social responsibility is inherently vague and ambiguous, both in theory and in practice.” So why would anyone want to study this or even have a business strategy affiliated with such a loose term? Because the alternative that Milton Friedman (1970) purposes is not a sustainable solution either: “There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits [...]". It is naive to believe that a corporation can exist in a vacuum, with only one group of stakeholders, namely the shareholders. A modern company will have to take into consideration all of the different stakeholders in their network. A regular network of stakeholders to a modern firm will be: shareholders, customers, suppliers, employees (employees’ families), local communities and global communities. All of these groups will be affected by the company to varying extent. This means that executive managers cannot act solely by their will, but there are other social considerations to be made.

3.1 What is corporate social responsibility (CSR): mapping the territory

CSR is a collective term for those voluntary activities a company does, that goes beyond their fiduciary duties (Lantos 2001). This thought is based on the idea that a company as an economic power holds certain responsibilities to the community. A.B. Carroll (1991: 43) describes a "csr firm" as a company that: "[...] strive to make a profit, obey the law, be ethical and be a good corporate citizen." This is basically a way of dividing the field of CSR and not really a definition. Keith Davis (1973: 312-313) on the other hand provides a very good definition, though extensive, on what CSR is: "CSR refers to the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm [...]. It means that social responsibility begins where the law ends. A firm is not being socially responsible if it merely complies with the minimum requirements of the law [...]". Another part in this same section of Davis' article deals with the profitability of CSR, and since this is a fairly comprehensive discussion I will address that later in the thesis. Davis' definition covers the four sections A.B Carroll (1991) will later elaborate in his Pyramid of Corporate Social Responsibility.

To conclude the definition of CSR is an informal social contract between the firm and society at large, for firms to be responsive to society's long-run needs. The firm should try to optimize the positive effects and minimize the negative effects of its actions (Lantos 2001: 600). The term, CSR, in this paper, refers to a business organization's responsibility for integrating stakeholder concerns in routine business activities for primary stakeholders (employees, customers, suppliers), as well as environment and communities, which are often considered extensions of the primary stakeholders of the firm.

There are two distinctive views of CSR, that are somewhat contrasting. Branco and Rodrigues (2006: 112) divide it into two cases - the normative case and the business case. The normative case searches for motivations in the desire to good. This is a focus towards doing good is of course driven by the interest in acting in a morally correct behavior. The business case is on the other side driven by the desire to make money for the company, and that there is a belief that paying attention to socially responsible challenges this will further lead to an economic gain. There is clearly a distinct difference between the views, but the reasons for a company to engage in CSR related activities are often a mixture of the two cases (Branco and Rodrigues 2006: 112). This is a paradox which has been explored to a large extent by Archie Carroll.

3.1.1 Carroll's four faces of CSR

A.B Carroll (2000: 187) suggests that corporations have four responsibilities or "four faces" to fulfill to be a good corporate citizen: economic, legal, ethical and philanthropic. It is worth taking a closer look at these "four faces", they are very helpful in limiting the scope of this paper. As well as applying some system to a confusing field of study.

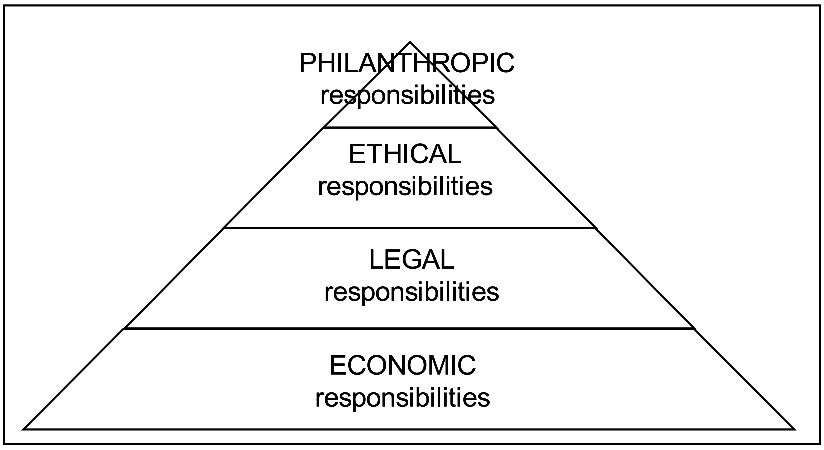

Figure 3: Carroll's Pyramid of Corporate Social Responsibility

The pyramid portrays the four components of CSR. Beginning with economic performance, which is the building block for anything else. At the same time, the law regulates what is accepted behavior in society. Next is the business' obligation to be fair, and do what is right (minimize harm to stakeholders). Finally business is expected to be a good corporate citizen. Basically contribute to society, to improve general quality of life (Carrol 1991).

Economic

The corporation was, during the “industrial evolution”, created as economic entity. The motive was profit in any kind of entrepreneurship (Carroll 1991). The company was to manufacture products that satisfied the demand in the market. It should provide jobs, with a fair pay, seek out new resources through their supply-chains, pay taxes, provide economic growth and at some point *maximize* profit for shareholders (Lantos 2001: 596). If a company was able to do the above mentioned activities it was considered a huge success. Over the past 50 years the companies are no longer only judged by their economic, and moral, contributions, but also increasingly by their social contributions.

Legal

Legal responsibilities entail the idea of playing by the rules. Laws regulating business are passed because the government is worried that the business world will not hold up their part of the “social contract” (Lantos 2001: 597). Carroll (1991) also emphasizes that a *successful* company is a company that fulfills its legal obligations, and a company that provides goods that meets the legal requirements.

Ethical

The ethical responsibilities of a company are the activities that are regulated mainly by society. These are values and norms. The ethical responsibilities reflect what the company's stakeholders think is descent actions. Carroll (1991) stresses the fact that integrity and ethics goes beyond the laws and regulations. When addressing values and norms it is important to recognize that these are areas in continuing development. Hence, the subject of ethical responsibilities are often in public debate, considering the indistinctness of the subject, this ultimately leads to a great challenge for the firm to follow. A good example of a force that influences and restricts the values of a company is consumer movements. Albert Carr (1996) in his “Is business bluffing ethical” takes a poker playing approach to business ethics, where bluffing is a part of the business life. Lantos (2001: 602) very fittingly sums up Carr's view in “pure profit-making view [...] business has lower standards of ethics than society and no social responsibility other than obedience to the law.”

Philanthropic

Carroll (1991) defines philanthropic responsibilities as those corporate actions that are in response to society's expectation of businesses to be good corporate citizens. This definition boarder lines the definition of ethical responsibilities, but the difference lies in when a company takes on their philanthropic responsibilities they do it without the pressure of being called unethical if they do not do it. This is in the category of "above and beyond their duties", or as Carroll calls it "the icing on the cake". This implies that the corporation is supposed to use company resources that potentially has no gain for the company at large.

Focus and discussion

Much of the controversies around CSR lies in the final section above, regarding philanthropic responsibilities. The idea of giving back, because one is an economic power-house, without receiving anything is far-fetched to most people. This deals with the legitimacy question of CSR (Lantos 2001: 598). Undoubtedly there are companies that take their philanthropic responsibilities seriously, but most often their donations, volunteer work or other actions usually ends up in a PR-news release. This leads to a much more interesting discussion, where the four faces of Carroll are not so rigid. Lantos (2001) uses a term which he calls strategic-CSR, which I will borrow in this thesis. Strategic-CSR builds on the idea that there is no clash of interests in carrying a CSR profile, while still being profitable. There seems to be a common thought that if a company is profitable it cannot be socially responsible corporation. For this paper the focus will be on what Lantos (2001) defines as *strategic-CSR*, as a collective term of Carroll's four faces, but with the opening that the activities undertaken by businesses are (to some extent) profitable. With strategic CSR corporations give back to the society because they believe it to be in their best interest to do so. The idea is that CSR is profitable in the long run, since the market-forces provide financial incentives for being perceived socially responsible behavior (Lantos 2001: 618). In the aftermath of financial catastrophes like Enron, very much focused on in the media, it is definitely a good strategy to choose the high road.

3.1.2 Stakeholders versus Shareholders

One of the major debates in the field of corporate social responsibility has been going on in almost four decades. It regards the legitimacy of CSR. The debate has to some extent evolved, but the literature in the field is still to a large extent based on the two prevailing oppositions. A good starting point is the famous quote from Milton Friedman (1970) from his article in the New York times: "[...] there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud." The key words in this statement are increase profits, within the rules and open and free competition. These are the cornerstones of the classic view on capitalism (and one might add, that it is also a very American approach to capitalism). This lays the foundation for a pure profit maximizing form of making business. One might say that the only stakeholder is the shareholder. In this debate Friedman (1970) is criticizing what he chooses to call an "aversion to capitalism and profits [...]" - referring to the social responsibilities of corporations. This view is very much backed by Coehlo et al (2003: 15): "Corporations are legal fictions, embedded in this is the idea that a corporation has only legal duties." This implies that the social responsibilities that is under discussion is not a subject for firms to partake in. Humans have a soul, humans have responsibilities - companies have laws. By not adhering to this one is putting the "individual's judgment in front of the authority of the state" (Coehlo et al 2003: 16). Friedman is not criticizing people that are doing good, but he is very clear on who's expense it should be. "They can do good – but only at their own expense" (Friedman 1970). This is based on the sediment that if a manager decides to partake in any kind of corporate philanthropy, he is wasting the money of the shareholders, who is his employer.

Where Friedman is talking about shareholders/stockholders, Freeman is talking about stakeholders, which is a constellation of many groups. Freeman (1984: 25) defines the stakeholder as: "Any group or individual who can affect or is affected by the achievement of the firm's objectives". With this diversity the responsibilities changes accordingly. The term stakeholder was meant to generalize the notion of stockholders as the only group to whom management need be responsive (Freeman 1984: 31). One of the main criticisms is what is often referred to as the separation thesis. This begins by assuming that ethics and economics can be neatly and sharply separated (Freeman et al 2004: 364). By using the definition for stakeholders there is clearly not an opposition in shareholder versus stakeholder, they are intertwined in the same network. The question what responsibility does management have to stakeholders, pushes the managers explicitly articulate how they want to do business. Values and relationship with stakeholders is one of the fundamental drivers in doing business, not necessarily profit (Freeman et al 2004: 364). Profit is an integral part of the total picture, but business is about putting together a collaboration so that suppliers, customers, employees, communities, managers and shareholders all win continuously over time (Freeman et al 2004: 365). This is based on the idea that if they are not working together they will look for new partners in business. The constellations will be in continuously change until the network is stable and the different nodes are functioning together. The idea of a soulless company is rebutted in the fact that a company is not separate from its human resources. Which means that the company will always carry the values of its workers. Ideally there will be an interaction taking place, where both parties evolve.

The debate between Friedman and Freeman is today somewhat outdated. Very few companies (if any) does not acknowledge the fact that doing business affects their surroundings. However the important issue to draw from the classic debate is that the stakeholder is an important focal point, still today. So the question is not whether or not one should engage with stakeholders, but how and how much one should invest.

3.2 Integrating CSR into the strategy of the firm

The "contract" between businesses and society at large is continuously changing. Leaders in both business and civil society have focused too much on the friction between them and not enough on the points of intersection. Successful corporations need a healthy society: education, health care and equal opportunities. At the same time a healthy society needs successful companies. No social program can match the free marketplace in creating jobs, wealth and innovations, that drive the development of benefits for society as a whole (Porter and Kramer 2006). However by incorporating society's demands into their strategic company may turn socio-political threats to an advantage (Beardsley et al 2006). The approaches to corporate social responsibility are so fragmented, and the consequences of this fragmentation are lost opportunities. Most of the solutions prevalent in the market is incorporating CSR to the organization as a add-on to their core activities. If corporations were to analyze their prospects for social responsibility using the same frameworks that guide their core business choices, they would discover that CSR is much more than an expense, constraint or a charity (Porter and Kramer 2006). The result of this is often a score of uncoordinated activities that are disconnected from the company's business and strategy. This will neither make any meaningful social impact nor strengthen the firm's long-term competitiveness. Porter and Kramer (2006) also states that strategy is about making choices, success in the field of CSR is no different. Companies and industries that neglect societal issues will face increasingly costly regulatory regimes, loose privileges such as intellectual property rights, and miss out on a range of growth opportunities (Beardsley et al 2006). Managers without a strategic understanding of CSR are prone to postpone the costs (and benefits), which can lead to much greater costs when the company later is judged for not fulfilling its social obligation (Porter and Kramer 2006).

3.2.1 Strategic CSR

A corporate social agenda looks beyond community expectations to opportunities to achieve social and economic benefits simultaneously. It moves from mitigating harm to finding ways to reinforce corporate strategy by advancing social conditions (Porter and Kramer 2006). To advance CSR it must be rooted it in a broad understanding of the interrelationship between a corporation and society while at the same time anchoring it in the strategies and activities of specific companies. Business and society need each other. The essential test that should guide CSR is not whether a cause is worthy, but whether it presents an opportunity to create shared value - that is a meaningful benefit for society that is also valuable to the business (Porter and Kramer 2006).

Strategic CSR moves beyond good corporate citizenship and mitigating harmful value chain impacts to mount a small number of initiatives whose social and business benefits are large and distinctive. It is here that the opportunities for shared value truly lies. Many opportunities to pioneer innovations to benefit both society and company's own competitiveness can arise in the product offering and value chain. Strategic CSR also unlocks shared value by investing in social aspects of context that strengthen company competitiveness. At the heart of any strategy is a unique value proposition: a set of needs a company can meet for its chosen customers that others cannot. The most strategic CSR occurs when a company adds a social dimension to its value proposition, making social impact integral to the overall strategy. When value chain practices and investments in competitive context are fully integrated, CSR becomes hard to distinguish from the day-to-day business of the company (Porter and Kramer 2006). CSR strategies is about doing something different than the competitors in the field.

Beardsley et al (2006) and McKinsey company presents a set of five core competencies that are linked to strategy choices. Managing a company's social contract to promote superior value creation requires an integrated approach. The “5 R's” make the basis for a sustainable strategy:

- *Risk*: Managing or pre-emptying new classes of strategic risk that result from changing societal expectations.
- *Renewal*: Turning socio-political trends into new business and industry-shaping opportunities while meeting or exceeding societal expectations.
- *Regulation*: Managing short-term regulation optimally and shaping the longer-term policy agenda to create or preserve a regulatory status that aligns social goals with the company's commercial interests.
- *Relationships*: Identifying how and where to invest resources in building and maintaining relationships with stakeholders for maximum value.
- *Reputation*: Building trust in the company's brand and values when the default assumption is that large, profit-oriented institutions are self-interested entities with only limited, contingent commitments to a wider social agenda.

According to Beardsley et al (2006) companies are vulnerable in four areas: Through the consequences of their products; the actions of the supply chain, especially the treatment of employees; complicity in human rights or governance violations of host governments; and environmental effects associated with their operations. Large companies have much at stake in the way new forces affect the contract between business and society – often up to 50% of their future value. Yet many companies invest far less , proportionately, in this aspect of their strategy than they do in marketing, supply-chain management or product development. Successful application of the 5R's (*integrated strategy)* work requires three organizational elements:

- Investment in building new capabilities, both internally and by hiring a much wider array of talent.

- Improved coordination across all company functions in every region in which the company operates.
- Changes to the activities of the CEO. (Beardsley et al 2006)

When a social shift appears extremely likely, companies should consider embracing a significant transformation ahead of the competition - unfortunately most companies have a narrower outlook than is in their best interest. Reputation is an intangible asset that results from the perception stakeholders from a company's tangible actions. Reputation is critical to a company's market value, since more than two-thirds of a company's value derives from its long-term growth potential, which is bound up with its reputation. Companies must recognize that reputation is grounded not just in communications but in concrete initiatives (Beardsley et al 2006). Integrating business and social needs takes more than good intentions and strong leadership. It requires adjustments in organization, reporting relationships and incentives (Porter and Kramer 2006). Nike and Shell, both of which learned the hard way, today view their interactions with the world as a key strategic asset, which is drawn from the idea of “soft power” particularly in international relations (Beardsley et al 2006).

Companies must shift from a fragmented, defensive stand to an integrated affirmative approach. Beardsley et al (2006) states that waiting for attackers or competitors to move is a recipe for risk. It is paramount to have a preemptive strategy, that goes beyond the basics of social policy. Efforts to find shared value in operating practices and in the social dimensions of competitive context have the potential not only to foster economic and social development but change the way companies and society think about each other. No business can solve all of society's problems and bear the costs of such a choice. But each company can identify the particular set of societal problems that it is best equipped to help resolve and from which it can gain the greatest competitive benefit. Addressing social issues by creating shared value (Porter and Kramer 2006). The most important any company can do for a society is to contribute to a prosperous economy. By providing jobs investing capital purchasing goods and doing business every day, corporations have a meaningful and positive influence on society.

3.3 Strategy, structure and the innovative firm

This chapter aims to describe what capabilities firms require to be socially responsible and how managers identify and utilize these. Furthermore this section aspire to acquire a deeper understanding as well as research the ability of companies to integrate CSR into the organization.

3.3.1 Organizational innovation

Innovation is basically doing something new, or applying something in a different way than it has previously been used. There is no single, simple dimensionality to innovation. There are many dimensions covering a variety of activities. Innovation is often linked to a new product or product development, but it can be so much more. Schumpeter explained innovation as, new products, new methods of production, new sources of supply, and new ways to organize business. He defined innovation as "a new combination of existing resources" (Fagerberg 2006: 6). Hence innovation is not only applied to manufacturing it is also used in describing intangibles. Furthermore Van de Ven et al 1999 states that organizational creation is fundamental to the process of innovation. The ability of an organization to innovate is fundamental and essential for a company to be able to take advantage of new resources and technologies. When presented new technology - different opportunities and challenges occur. This may often lead to changes in management, managerial practices and the organization itself. The definition of organizational innovation is “ the creation or adaptation of an idea or behavior new to the organization (Lam 2005: 115). The subject of organizational innovation in this thesis will be enlightened through the field of dynamic capabilities.

3.3.2 Dynamic capabilities

The winners in the global (or local) marketplace are the companies that have the ability to comply with market changes. By demonstrating responsiveness, beyond its competitors, in addition to flexible product innovation, along with the ability to effectively coordinate external and internal competence some companies take the lead position in their respective industries (Teece and Pisano 1994). This paper argues that the competitive advantage of firms stems from dynamic capabilities embedded in the firm's processes, rooted in the ability to innovate driven by corporate social responsibility. The ability to achieve new forms of competitive advantage are through the development of certain dynamic capabilities.

Teece et al (1997) defines dynamic capabilities "as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments". The term dynamic refers to the fact that something is changing. In this case we are talking about market change. When time-to-market is critical the company must utilize the innovative responses. Technology is in constant shift as well as markets which puts pressure on companies to be able to change and be ahead of the competition. The term capabilities emphasize "the key role of strategic management in appropriately adapting integrating , and re-configuring internal and external organizational skills, resources, and functional competences toward changing environment" (Teece and Pisano 1994: 538). Winter (2000: 983) describes a capability as something that "is reflected in a large chunk of activity that enables outputs that clearly matter to the organization's survival and prosperity". Studying the dynamics of an organizational capability is not easy. Capabilities are complex and sometimes hard to identify. However knowledge and knowledge-creating activities are the foundation of capabilities (Iansiti and Clark 1994: 559). This means that capability building is grounded in the processes of knowledge development.

A key step in building a conceptual framework related to dynamic capabilities is to identify the foundations upon which distinctive and difficult-to-replicate advantages can be built (Teece and Pisano 1994: 539). The whole idea of capabilities is that they cannot easily be acquired through regular markets. The properties of an organization cannot be copied by regular contracts and portfolio building. These properties is what Teece et al (1997) call "hard-to-imitate" properties. Dynamic capabilities focuses on strategies for exploiting existing firm-specific assets. To create new capabilities, an organization must make a set of specific and highly complementary investments in tangible assets, in process development, and in the establishment of relationships that cross the boundaries of the organizational unit in which the process is deemed to reside (Winter 2000: 984). Capabilities are argued to be the prevailing sources of firm success. One might argue that the survival of a firm is solely dependent on the knowledge of its employees. Or one might focus on the the know-how and skills of managers and claim that they are the key to higher firm performance. Capabilities are largely maintained by the knowledge sharing and the learning ability of the firm. Interactions between management and employees (and other constituents) become very important for the development of the company. Such interactions are comprised by operational routines of the company. Routines are carried out tacitly by individuals and across the organization, hence as a facilitator for what the firm does and how it carries it out (Galbreath 2005: 982). The capabilities are intertwined in organizational experience, learning and practice - therefore inexplicable.

3.3.3 Dynamic capabilities and sustainable development

Sustainable development will not happen without innovation. The growing pressure for cleaner business conduct requires changes in how businesses operate and the products they provide. Therefore one of the main challenges is to develop innovation strategies that respond to the expectations and needs of shareholders and the society as a whole. These shifts in the marketplace forces companies to enhance their competitiveness through sustainable innovation efforts (Ayuso et al 2006). Hence CSR as a organizational capability framed within the resource-based perspective is a way to understand change and evolving markets.

Branco and Rodrigues (2006: 112) claim that the contribution CSR has on financial performance in primarily related to qualitative factors, such as intangibles as reputation, culture and knowledge, because they are hard to imitate. The resource-based perspective along with the capability theories offers the field of CSR a tool for better understanding the analysis on how corporate social policy influences the bottom line. Firstly the resource-based view has a strong focus on performance as the key outcome variable, and secondly like the field of CSR research the resource-based perspectives focus on the intangibles within the organization, such as know-how, corporate culture and reputation (Russo and Fouts 1997: 535) Dynamic capabilities focus on aspects of a social nature, there is a short way to integrate perspectives from the field of CSR, but to do this the organization must be viewed as a social institution (Branco and Rodrigues 2006: 113).

Dynamic capabilities reflect an organization's ability to achieve new innovative forms of competitive advantage (Ayuso et al 2006), given the company's specific assets. Capabilities reside in the routines that are intrinsically intangible and embedded in the firm, hence they cannot be traded or bought. CSR can be referred to as a dynamic capability being it is essential for the renewal of organizational knowledge and the resources of the firm. From the chapter of strategic CSR it was concluded the CSR strategies as an add-on is of little use. Hence a CSR strategy embedded in the companies routines will lead to better capabilities to react to market changes. Challenges put forth through regulations and social issues needs to be dealt with. The question is not whether or not, it is to what extent one should invest in these challenges. Furthermore Marcus and Anderson (2006) explain that business competencies is a set of skills that is aimed at enhance the economic interests of the company. Social competencies are those skills that are aimed to benefit society. Porter and Kramer (2006) encourages firms to utilize alternative business processes, and this may improve their productivity. Marcus and Anderson (2006) states that a general dynamic capability is the ability "to renew, augment, and adapt" competencies over time. Activities that underlie a general dynamic capability include searching for new ideas and methods, comparing company practices to the best in the industry, evaluating practices in other industries, and experimenting. These activities are fundamental to the company's competitive advantage. Basically what Marcus and Anderson are saying here is that a general capability is the ability to innovate, hence is important for the company's competitive advantage.

4.0 Empirical research and findings

CSR may lead to a competitive advantage and have a great impact on company's financial performance. The reason is that socially responsible behavior generate commitment to stakeholders, and thus consensus, cooperation and satisfaction of their expectations. In a globalized economy it is crucial to create rules and guidelines that both is sustainable for the companies involved and the local economies. CSR is fostering innovative learning processes and increasing the productivity of work, hence improving corporate performance (Perrini et al 2006). According to the resource based perspective literature, organizational capabilities are embedded in a firm's processes and are composed of routines, structures, systems, cultures etc. In this analysis of the five case studies the focus laid on variables that could explain firms capabilities related to sustainable innovation.

Throughout this section I have chosen to base the text on different quotes from the interviewing process. This has been done because the field of CSR is so unstructured, and the fact that the term CSR can mean different things to different people. Quoting enables the author to correctly transcribe the meaning of the interviewee, as well as include the readers to draw their own conclusions based on the same empirical material. I will provide my own conclusions, but by quoting, the reader will have a greater insight by reading first hand information. This is a short introduction to the firms interviewed, to better understand the quotes in the following chapters

Table 1. Introduction to case companies.

	Operating Revenues (2006)	**Number of employees (2006)**	**Area of Business**	**Representative interviewed**
Storebrand ASA	1,6 Billion[1] NOK	1 455	Insurance and banking	Elin Myrmel-Johansen, Leader of CSR
Telenor ASA	91,1 Billion NOK	33 500	Telecom	Sidsela Nyebak, Advisor CSR
DNB-NOR ASA	13,2 Billion NOK, Administered funds: 1.600 Billion NOK	11 824	Investment Banking	Kjetil Staalesen, Rådgiver Samfunnsansvar
Orkla ASA	52,7 Billion NOK	30 000	The core businesses are Orkla Branded Consumer Goods, Orkla Aluminium Products, Orkla Materials, Orkla Associates and Orkla Financial Investments.	Ole Kristian Lunde, Senior V.P. of Corporate Communications
Tine BA	15,4 Billion NOK	5 320	Food and beverages, core business area is dairy processing	Ola Wæhre, Business Strategist and Gjermund Stormoen, Responsible for corporate ethics

1 Billion NOK refers to the Norwegian equivalent *milliard.*

4.1 CSR an investment into the future

Shareholder value is not a sufficient principle to manage a company. The short term gains of a shareholder perspective may damage the gains of a long term sustainability strategies. Each firm seeks to create wealth – value. In order to achieve this the firm cannot ignore the context in which it operates (Perrini et al 2006: 86). Porter and Kramer (2006) states that "the moral calculus needed to weigh one social benefit against another, or against its financial costs has yet to be developed." This means that measuring the financial benefits from an investment into CSR is hard to trace. It is up to each company to decide if the returns of that particular investment is sufficient. "The principle of sustainability appeals to enlightened self-interest, often invoking the so-called triple bottom line of economic, social, and environmental performance" (Porter and Kramer 2006). Traditionally CSR has not been a driver for strategies for further development of competitive advantage within a firm. Usually there has been other motivational factors for furthering the development of the company. Today there is apparently a shift in many of the larger companies in Norway, where CSR is to larger extent integrated in the strategic decision making.

Is CSR profitable?
"Clearly it is profitable to have trust." – Ola Wæhre, Tine BA.
"CSR is an unbeatable long term strategy." – Ole Kristian Lunde, Orkla ASA.

The predominant thought that emerged when one is asked to link CSR with a company's competitive advantage is the idea of short term profitability versus long term profitability. The firms that have been interviewed in connection with this paper are convinced that CSR is an investment for the future. When asked if their company would be competitive if they had not made any investment with a CSR focus, DNB-NOR answered:"It is possible to do good business without any specific resources for CSR. Firstly it is possible to conduct business in a responsible manner without having a big CSR department within the company. Secondly, the penalties in the marketplace are not substantial enough for not having a CSR focus." The representative from Storebrand ASA seconds this view. There is no doubt that one may do business without any focus on CSR. "If you do not take the challenges presented seriously, one might see oneself out of business in the future." Storebrand ASA wants to think long term and sustainable. The nature of the business conducted by Storebrand ASA is long term, e.g. a pension contract can run for 50 years or even longer. All of the interviewees agreed on the fact that the the potential challenges or problems one faces will be bigger if one do not have a sustainable strategy, especially in the future. Large companies have much at stake in the way new forces affect the contract between business and society – often up to 50% of their future value. Yet many companies invest far less, proportionately, in this aspect of their strategy than they do in marketing, supply-chain management, or product development (Beardsley et al 2006: 8).

The representative from Orkla concludes with if one should look at CSR in connection with profit, it is important to look beyond the *narrow interpretation* of profitability. It is impossible to see changes on the bottom-line from one month to another. It is not possible to measure that in this particular period we were particularly responsible and as a result the profit-margin went up 5%. "CSR is an unbeatable long term strategy". As an example Orkla's representative used their involvement in SOS Barnebyer. Orkla has sponsored several projects in Russia. Russia is an emerging market for Orkla, and this has signaled to the government in Russia that Orkla is not in for a quick profit, and this is transferable into other investments in a host country's infrastructure. "CSR has an effect on business, and the goodwill and legitimacy (of

Orkla) in general" (Orkla 2007). The representative from DNB-NOR elaborates this by saying: "It is extremely difficult to prove that DNB-NOR gets possibilities that it would not normally have because of the focus on CSR. It is seldom one can say with 100% certainty that one gets a customer because of CSR. I believe it happens, but it is impossible to prove the correlation".

Telenor fronts the slogan "we are part of the solution", although the other interviewees does not have the same slogan, it embraces some of the core thoughts around CSR. When asked if a focus on CSR provide any opportunities the company would otherwise not have, Storebrand answered: "We believe that trade and industry (business) is a part of the solution, we are obliged to contribute". This view has become more prevalent in the past years. CSR have at times been criticized for being a socialist notion. But this view is on the contrary very much based in the capitalist system and is upheld by free trade. Porter and Kramer (2006) explains the synergy as follows: "Successful corporations need a healthy society. Education, health care, and equal opportunity are essential to a productive workforce. Safe products and working conditions not only attract customers but lower the internal costs of accidents. Efficient utilization of land, water, energy, and other natural resources makes business more productive. Good government, the rule of law and property rights are essential for efficiency and innovation". At the same time society are equally dependent on successful corporations.

Furthermore Porter and Kramer (2006) elaborates the connection: No social program can rival the business sector when it comes to creating the jobs, wealth, and innovation that improve standards of living and social conditions over time". "Traditionally leaders in both business and civil society have focused too much on the friction between them and not enough on the points of intersection". DNB-NOR further elaborates the ideas presented by Porter and Kramer. DNB-NOR are dependent on the private sector to innovate to develop in a sustainable way. For this to happen the companies must have a sustainable economic development. DNB-NOR is not a philanthropic business in the meaning that they are not trying to make money. For DNB-NOR to make a difference they must stay in business. "Medicine do not have to taste bad to work!" In accordance with these thoughts DNB-NOR has developed an innovation lab, where development and innovation is awarded.

The representative from Storebrand divides businesses, regarding CSR, into two groups. Those who do not care, and are hoping that the idea of CSR will disappear. And the second group are those who understand that CSR has come to stay. The second group can further be divided into three subgroups:

(i) Compliance orientated: Follow the laws (Norwegian and international), believes that the government should take responsibility and they will follow.

(ii) Good corporate citizen: give back to society.

(iii) Possibility perspective: Storebrand believe that by combining CSR with the core competencies, will lead to a winning combination.

In the third group is where the possibilities are and room for further innovation. When differentiating from our competitors and becoming an active part in the CSR field, this leads to possibilities. By being able to reside in the third group it is very likely that CSR is profitable. It is important for Storebrand to be in front, and lead the way. Storebrand characterizes themselves as a company that resides in the third group.

4.2 Organizational learning and development

Many companies want to relate in a larger degree to the field of CSR. But they are not quite sure on how to approach the challenges. "We believe it is a deficit of knowledge and competencies to launch the proper mechanisms" says Innovation Norway. DNB-NOR stresses that "We must have knowledge. This is the reason for DNB-NOR to have collaborative partners such as Global Compact, PLAN, CARE, and Transparency International etc. With the proper knowledge one is less likely to go out of business. Decide where the arrowhead of research is, learn from that and develop ethical products not offered today".

4.2.1 Individual and collective knowledge:

Innovation is basically a process of knowledge creation, where problems are addressed and then new knowledge is developed to solve the challenges. Knowledge is often thought of something within the individual. It is large consensus amongst the theorists of organizational learning that knowledge starts with the individual in the knowledge-intensive organizations. In *The Knowledge-Creating Company* Nonaka (1991: 97) explicitly states that it is crucial that an individual's personal knowledge is transformed into organizational knowledge. Grant (1996: 112-113) talks about organizations utilizing the knowledge possessed by their members. The key words here are *transformed* and *utilized*. The individual knowledge has limited usefulness to organizations, if it stays on an individual level instead of a collective level. Nonaka (1991: 98) puts it plainly: "Making personal knowledge available to others is the central activity of the knowledge-creating company." Grant (1996: 117) expresses the core of the challenge for any organization. The utilization of knowledge "... depends more upon the firm's mechanisms of integration rather than the extent of specialist which employees possess". Lam (2006: 125) proposes that collective knowledge exists between individuals, and therefore it is important to have the right mechanisms to materialize and extract the knowledge. In that sense the collective knowledge is comparable with the memory or collective mind (Lam 2006: 124) of the organization. There are several mechanisms for making individual knowledge into collective knowledge. Some variables that contribute making collective knowledge are; rules, procedures, routines, norms, and company culture. All of these have an effect on the interaction within an organization.

4.2.2 Implementation:

"Ideals must become concrete actions. We must make sure that they [the ideals] are embedded in the organization"(TINE BA 2007). The most important work to be done is to make the issue [CSR] less abstract, that is to communicate the message through activities. Through many years of environmental practice and presence, Tine has created an expectation of the company, both internally and externally. This has not been a clear and conscious strategy. This long-term conduct of being responsible that is embedded in the corporate culture. By not adhering to it that is a dangerous choice (Tine BA 2007). Tine has created many expectations to their social engagement and through that they have committed themselves to a certain conduct. If they were to diverge from that now they would most likely see a negative reaction in the public opinion.

The representative from Storebrand expresses clearly that "CSR should be a part of the *line* - a part of the strategy". It is important that not just a few people in the company are engaged with this. Furthermore she emphasizes that it is imperative that one should not have a staff separated from the rest of the production. To keep with this principle - Storebrand has only one full time employee that works with CSR. All the activities are carried out in the line, not in a separate division or section of the firm. The representative interviewed from Storebrand has the job as a leader for the topic (of CSR), as well as a motivator, a person that comes with suggestions, and as a sparring partner. But all true activities are done in the *line.*

Throughout the interviews it became apparent that the interviewees had a certain tool-box of activities that they carried out within their respective organizations. This could all range from specific happenings, competitions, presentations, employee training, dilemma training, case studies. The predominant tool that all of the organizations used actively was the intranet of the respective organizations. For example Storebrand reported that 98% of their employees used their intranet on a daily basis. This makes it a perfect source for communication and implementation of certain programs. Another similarity amongst the organizations was that they all had a focus in that the work should be carried out in all levels, and that it should be handled individually in every section. The cooperation of top/central management and the middle management is very important for the implementation to function properly. The reoccurring mantra was that CSR must take place in the *line*. One of the more common (negative) descriptions of the field of CSR has been *CEO's pet*, and that it has been something on the side of the rest of the business. This is a very negative description for a strategy, and a true hindrance for implementation. One driver for the true implementation is often referred to *as tone at* top. It is important for the workers to see that top management take an interest in the subject and disperse it through the line. That acts as a positive drive throughout the organization. And middle management feel they have the support needed. When asked what the formula for success was, the representative from Storebrand answered: "Dedicated leadership and systematic work with employees through many years."

"The employees create the image of Storebrand, everyday in contact with customers. If the employees do not have that proper values the whole thing will collapse. The most important is the people in the organization," stresses the representative from Storebrand. That is also why it is interesting to look at the promotion value of CSR. Very few companies use CSR actively in their public promotion. But it is still an important factor. Look at Shell after the Brent Spar incident, although today we know that Shell was on the right track, and Greenpeace had it wrong. Shell had trouble with recruiting good employees for a long time. The top 5% of the graduating classes had no interest in working for a company that was thought of as an environmental bad-boy. DNB-NOR says that "our employees want an employer that is responsible", and because of that it is important for DNB-NOR to be a good employer. To be able to attract the right kind of resources. Media coverage is often said to have the greatest effect on the employees, then the customers, and then possible future customers.

4.2.3 CSR Survey on Corporate Executives

In March 2003 the Norwegian *Argument Gruppen As* conducted a survey of the 300 largest companies in Norway investigating the field of CSR. The survey targeted the CEOs of the companies. Surprisingly the majority of the CEOs asked claimed they had integrated or partly integrated CSR in their organization (44% integrated, 37% partially integrated). In the same survey 42% admitted that they had little or non knowledge about CSR. The reason for this contradiction can be explained in the fact that CSR can be defined in a variety of ways, thus being integrated in some parts of the business' other strategic planning. This is comparable to the case study of Tine BA. Where Tine claimed to have an integrated CSR into their organization, without really having any structured program around their CSR work. Hence this indicates that the companies may have integrated socially responsible strategies in their firm, without relating it to the term *corporate social responsibility.*

In the same survey the CEOs were asked if they consider CSR as a competitive advantage - 91% concurred. 79% believes it will play a larger role in the future. This manifests that the CEOs look at CSR as something of increasing importance. Which again can be linked to the fact that so many of the CEOs feel they have integrated CSR into their strategic work. This maybe forced by the CEO's wish to have an integrated strategic CSR plan for his/hers firm, to appear in a flattering way. This survey concludes that many of the Norwegian companies may not be working as actively with CSR as they claim. This concurs with many of my findings throughout the research conducted for this thesis. Another aspect discovered through this process is that much of the CSR work in Norwegian companies is still very young. In several cases the CSR programs had actively run for only a few months (although they had systematically worked with the theme before). This means that although the frameworks and the guidelines are there, it is a long way to total integration and implementation.

4.3 Stakeholder “management” and communications

“In an era when firms are relying on committed value-chain partners to create outstanding performance and customer service , stakeholder theory seems to provide managers with more resources to find success” (Freeman et al 2004: 365).

Freeman (1984) defines stakeholder as: "Any group or individual who can affect or is affected by the achievement of the organization's objectives."Thus stakeholder theory is concerned with the nature of the relationship between the firm and its stakeholders (Ayuso et al 2006). This implies that society and business are not merely independent, nor inter-related, but that they are interdependent. Thus one must cease to consider that the sole mission of a company is to generate profits for its shareholders. Hence the mission of a company is to identify opportunities that are both beneficial for shareholders and society at large (Rodriguez et al 2002: 142).

The term stakeholder refers to the clients, suppliers and sub-contractors. Traditionally stakeholder relations has been primarily of a competitive nature. Special emphasis has even been placed on the bargaining power of the different parts of the value creation chain. Hence their capacity to negotiate and demand value has been paramount. The competitive landscape based on sustainable development implies that companies establish new relations with these stakeholders, in order to develop the products and services that the markets and society need. Emphasis will be placed on the exchange of information, training, technologies, etc, in addition to long-term commitments." Although these relations may be of a contractual nature, they are increasingly considered to be partners in the innovation process and the creation of value. Naturally there will always be some competitive tension, but these collaborations are fundamental in corporate strategy of sustainable companies" (Rodriguez et al 2002: 142-143). Stakeholders often have different and contradicting goals. The challenge lies in developing strategies for dealing with the different groups. Hence developing innovation strategies to respond to environmental and social pressure, and to meet the needs and expectations of stakeholders is essential (Ayuso et al 2006).

Being that the business cases studied have been drawn from different sectors their involvement with stakeholders have varied to some extent. Both in interaction and in types of stakeholders. For example Tine BA, that is producing a natural products, will necessarily have a different set of stakeholders than DNB-NOR, which is in finance. Then again Tine BA has a lot in common with Orkla ASA, or more precisely several of the daughter companies of Orkla ASA. Apparently all of the businesses interviewed had communication systems set up for interacting with stakeholders to the company. More surprisingly few had integrated their CSR with their regular stakeholder management systems. It is important to integrate and use stakeholder theory in connection with CSR, since it emphasizes participation, inclusion and mutual dependence. The interviewees has only recently started to systematize these topics. The representatives from Tine BA explained their stakeholder interactions as following: "From a CSR point of view we do not have systematic contact with stakeholders". Tine BA is aware of the opinions of their stakeholders, through surveys etc, but they have been conducted from a different motivation than CSR.

It is usual to divide the stakeholders into to groups – primary and secondary. The primary group is often compiled of owners, employees, customers, and suppliers. These are referred to as the stakeholders that are essential for the business to exist, or have a formal contract with the business. The secondary group includes social and political stakeholders who plays a fundamental role in achieving the business credibility and acceptance of its activities (Ayuso et al 2006). And of course one may have so-called fringe stakeholders, which are those parties that are not visible or easily identified. An example of such a division comes from Storebrand ASA. They divide their stakeholders into four main groups, and comments on how they are important for Storebrand.

(i) (New) Personnel: wants employees with the same values as the corporation.

(ii) Suppliers: environmental and social demands that cohere with Storebrand's values.

(iii) NGO's: want partner organizations that Storebrand can identify with and vice versa.

(iv) Customers: active dialog with the customers that does not quite live up to the standards of Storebrand, and possibly discontinue the contract.

DNB-NOR focuses primarily on their business partners, which will be placed in primary stakeholder group: "Being we are a company that provides financial services it is particularly important that the accounting and other financial reports are done properly. Our partners are also obliged to sign a contract were they are obligated to follow the values of DNB-NOR" (e.g. supporting the FN global compact). The nature of banking is heavily regulated by law, therefore it is not that important to collaborate with NGOs. Orkla ASA agreed with the other respondents on the matters of stakeholder division, but he also chose to award the Norwegian press: "Fortunately we have a Norwegian press that is awake and on the ball, which leads to us (businesses) getting the press we deserve. One is easily exposed if there are any irregularities".

Studies suggest that strengthened stakeholder relationships can result in significant competitive advantages in the form of trust, reputation and innovation (Ayuso et al 2006). Tine BA expressed the same notion on stakeholder theory: "Making sure the stakeholders are heard, can be a definition of ethical conduct". "One might also define CSR as the trust the market has in your company. Clearly it is profitable to have trust. It pays to listen to stakeholders". Naturally this does not mean that the different stakeholders should run the company, rather that they have been allowed to express their views, and they will be taken into consideration.

The interviewees all focused on the importance of their employees. Regardless of what their core business was there was large consensus that the employees was their most important stakeholder group. A satisfied worker, committed to the company, will portray the best image of the organization. Although many corporate responsibilities to employees are covered by legislation, a company will have to take further action in this area if it wishes to treat its employees in a way that will distinguish it from other organizations (Deniz-Deniz and Saa-Perez 2003: 299). The employees of an organization is not to be regarded as a cost, rather as a value for further development of the organization. Particularly Storebrand, Orkla and DNB-NOR (as well as Sigla and Innovation Norway) focused on relations with their employees, as a link in their recruiting process. It is important being able to recruit the best employees, and the past 10 years it has become increasingly important to appear as a solid company for that recruiting process. An example of this is the Brent Spar case from Shell.

The overall conclusion of this is that managing stakeholders' interests will maximize the firms performance. All of the companies studied promote dynamism and openness to change among their organizational members. Accordingly the interviewees see stakeholder management as an organizational capability framed within the resource-based view of the firm. Stakeholder knowledge integration can be regarded as the capabilities necessary to capture stakeholder dialog and transform it into innovative processes and strategies.

5.0 Conclusions

Corporate social responsibility goes beyond the laws of a particular society. Organizations' involvement with CSR is a trend where they are increasingly recognizing their social and environmental responsibilities, without much governmental interference. There are many variations of definitions for describing CSR. Because it is somewhat of an undefined field of study it can mean many different things to different people. CSR is a collective term for the voluntary activities a company does, that goes beyond their fiduciary duties. Archie B. Carroll (1991: 43) describes it as a firm "that strive to make a profit, obey the law, be ethical and be good corporate citizen". Very few companies does not acknowledge that their business affect their surroundings. And very few companies does not see the value of striving to be a good corporate citizen. With this in mind most companies have a relationship with their environment and their extended corporate responsibilities, regardless of the words used to describe their different initiatives. The focal point will then lie at how one should carry out the different initiatives and on how much one should invest.

Dynamic capabilities refers to "the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" (Teece et al 1997). Capabilities are intangible bundles of accumulated knowledge exercised through organizational routines (Galbreath 2005). The whole idea of capabilities is that they cannot easily be acquired through regular markets. Dynamic capabilities focuses on strategies for exploiting existing firm-specific assets. A capability is something that is reflected at large in the outputs that matter to the organization's survival and prosperity (Winter 2000: 983). One of the main challenges is to develop innovation strategies that respond to the expectations of the needs of stakeholders and society at large. The contribution CSR may have to financial results lies within qualitative factors, such as reputation, culture and knowledge. Dynamic capabilities reflects the organization's ability to achieve a competitive advantage given the company's specific assets.

Traditionally CSR has not been a driver for strategies for further development of competitive advantage within a firm. This section as well as the chapter of *CSR an investment into the future* refers to research question one: *What are the predominant drivers for a company to choose a corporate social profile, and to what extent is the corporate social responsibilities integrated with the strategies for development and innovation?* Strategic choices has mainly been regulated by monetary factors. Although the representatives from the business cases have a strong belief in the long-term profitability of CSR. The emerging thought that one may provide profits for one's shareholders while still providing for a sound environment, rejects the separation thesis of ethics and economies. To be able to operate and create value one must realize that one is a part of the society. Managers without a strategic understanding of CSR are prone to face great costs in the future, when the company is later judged to have violated its social obligations (Porter and Kramer 2006). To advance the field of CSR it must be rooted in an understanding of the interrelationship between society and businesses, while at the same time consolidating it in the strategies of the particular companies (Porter and Kramer 2006). An important driver for implementing CSR initiatives is to operate with less risk. This can be seen as a part of a risk versus possibility perspective, which is the base for any sound financial investment. As a digression, one may also put forth the argument that it is innate for people to do good. When given the possibility one should seize it. CSR is undeniable a part of the future for organizations in Norway. To be on the forefront of development will be a clever move. One might not see the large results this year or next, but in ten years CSR will be something one cannot ignore.

How do certain types of capabilities drive the integration of corporate social responsibility and development strategies, and how are these capabilities managed in order to ensure implementation? This research question refers largely to the implementation and utilization of CSR objectives, within an organization. The division of organizations accredited to Storebrand in the end of the chapter *CSR an investment into the future* is in fact used by many other organizations and firms. Within section three is where the interesting possibilities reside – *the possibility perspective.* By combining the *core capabilities* of the firm and CSR, will lead to great possibilities. Most likely through organizational development and innovation CSR is profitable.

Every organization has potential strengths and weaknesses. It is important to try and distinguish them from each other. The key to an organization's success lies within the ability to find or create a competence that is distinctive. This ability to achieve new forms of competitive advantage is referred to as dynamic capabilities (Teece et al 1997: 515). Competitive advantage requires utilizing existing firm-specific and new capabilities. Porter and Kramer (2006) explains how CSR programs are not as successful as they could be for two reasons: Business is often put against society, when they are obviously interdependent. Secondly companies are often pressured to think of CSR in generic terms, instead of linking it appropriately to each companies strategy. In the words of Tine: "Ideals must become concrete actions". Throughout the research it has become evident that it is paramount that the work with CSR is done in the *line.* It must relate to core business, through proper integration CSR is more likely to bear greater fruits. Through integration it will affect development strategies.

Furthermore CSR must have an effect on hiring procedures, and there should be a general awareness around the topic in the organization. These five points will answer the second research question, regarding capabilities, core competencies and implementation. I believe that organizations will become better at linking their CSR work to their core business. Furthermore the cosmetics around CSR will fade out, and the big CSR teams will disappear along with the glossy reports. This does not mean that CSR work will disappear, rather that the CSR work will be more focused. The firms that are able to step it up, and take responsibility will have exiting possibilities in the future.

The third research question: *How do stakeholders influence (enable or restrict) a company's CSR strategies?*, has been supporting every section discussed in this thesis. These themes are intertwined to a point where it is impossible to separate. Through our definition of CSR, that it refers to issues beyond the narrow economic requirements of the firm, basically refers to stakeholder consideration. Being one does not conduct business in a vacuum stakeholder relations are extremely important for the sustainability of the firm. Organizations need to go beyond profit maximization to trusteeship, whereby management sees itself as responsible for achieving balance among all stakeholders' interests (Lantos 2001: 604). In an era where organizations rely on committed value-chain partners, for creating outstanding performance, stakeholder theory seems to provide managers with more resources to be successful (Freeman et al 2004: 365). With strategic CSR - corporations "give back" to their constituencies because they believe it to be in their best financial interest to do so (Lantos 2001: 618). Minding Porter's and Kramer's (2006) words that stakeholders' views are important, but these groups can never fully understand a corporation's capabilities or its competitive positioning. A firm that develops a CSR view as a defence against pressure groups, will often find that the gains of CSR are limited and short term, and of minimal value to society.

Obviously all of the firms interviewed has well developed communication systems for interacting with their stakeholders. But more surprisingly there were indications that the existing systems were not necessarily linked to their CSR initiatives. This indicates that the CSR program may not be entirely integrated, or possibly that one is doing CSR work without categorizing it as CSR work.

5.1 Comments for further research

This thesis gives a limited insight into a large reality. Of course there is room for a lot more research within the field of CSR. It is evident that it is impossible to find any absolutes when studying CSR. It is hard to say that something is right and something is wrong. However throughout this thesis we have concluded on the three research questions posted in the introduction.

In this section a couple of new ideas are presented. It would be interesting to see a similar study done, with a larger selection of organizations, and a randomly chosen selection of organizations. This will of course be more time consuming, and not easily done within an ESST master, but it could be something for further research. With a randomly chosen companies one might find companies that have no knowledge of CSR at all. Or one might find companies that do CSR work without using the terms and concepts of CSR theories. In connection with this, a study of predominantly small and medium sized companies would also enlighten the field of CSR in Norway. Do you need to have a big CSR department to do good?

Is it possible that many companies practice CSR without talking about it or knowing about it? Or is it just a way of doing business for them? I believe this is very plausible. First of all, small companies are seldom targets for media or governmental interference. Hence, it is not as imperative for them to use a lot of resources on large CSR programs. They may very well share the same philosophies, but not necessarily communicate it in the same way. A good example of a classic situation where one might see a lot of CSR work done, but without the CSR framework is the cornerstone businesses, especially in shipping in the western part of Norway. These firms with long traditions and strong local roots often have a tradition of taking care of their own, which goes above and beyond the pure fiduciary responsibilities. This correlates with the hypothesis presented by one of the representatives from Tine: "The more a firm does because it is ethically correct, the less you find written down in glossy reports".

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Appendixes

Appendix 1: Interview guide for business cases:

Companies interviewed: Telenor, Orkla, Tine, Storebrand, DnB-NOR

Del I,
(Forståelse av samfunnsansvar?)
Hva er din oppfattelse av betegnelsen "bedriftens samfunnsansvar"?

Hvilke begreper bruker dere i bedriften for å beskrive samfunnsansvar?

(Har du hørt om begrepet CSR? (kan vi bruke csr som begrep videre i intervjuet))

Føler du at din bedrift tilstrekkelig kunnskap om "bedriftenes samfunnsansvar"?

Del 2,
(Samfunnsansvar som en del av bedriften)
Har dere satt av ressurser for å holde fokus på samfunnsansvar? Evt hva?

Tror du at firmaer og personer i nettverket til bedriften tenker på om dere er "ansvarlig" eller ikke?

Har dere et samfunnsengasjement som er større enn deres konkurrenter?

Vil du si at noe av deres image er knyttet til samfunnsansvar? I så fall er det noe dere bruker aktivt i profilering?

Gir et fokus på samfunnsansvar bedriften noen muligheter som den ellers ikke ville hatt?

Hva ville skje dersom det ikke ble satt av noen ressurser til samfunnsansvarlige formål? (fokus blir borte fra csr)

Er csr lønnsomt?

Del 3,
(Samfunnsansvar linket til kapabiliteter)
Føler dere noe press fra eksterne kilder til å drive forretninger på en spesiell måte?

Har dere noen krav til samarbeidspartnere sett utenfor et økonomisk perspektiv?

De samarbeidspartnerne som ikke har samme forhold til samfunnsansvar som dere, har det noen effekt på deres vanlige samarbeid?

Hva ser du på som den største trusselen mot selskapets omdømme?

På hvilken måte mener du at de strategiene som bedriften har for videre utvikling blir påvirket av samfunnsansvar tankegangen?

Finnes det noen typiske tegn i rutiner på at bedriften har en "ansvarlig" profil? (I rutiner, møtevirksomhet, interninformasjon, blir det nevnt og i hvilke sammenhenger?)

Hva er den viktigste faktoren for å kunne bedrive etisk/samfunnsansvarlig forretninger?

Appendix 2: Interview guide for supporting companies.

Companies interviewed: Innovation Norway, Sigla.

Del 1
Hva legger du i begrepet "samfunnsansvar"?

Hva er den største bekymringen for en typisk klient? Hvorfor blir du innleid?

Hva spør bedrifter deg om - F.A.Q.?

Hva gjør du for dine klienter? Case eksempler.

Del 2
Hva tror du er en typisk driver/ motivasjon for å velge en strategi med et bærekraftig fokus?

Hva er den største utfordringen for et firma når de velger å satse på CSR?

Er det stort fokus på interessenter/samarbeidspartnere/stakeholders?

Del 3
Har du noen eksempler hvor det er store barrierer for å få integrert et CSR fokus?

I hvilken grad tror du a CSR fokuset blir intergrert i strategier for videre utvikling av selskapet?

Kan du tenke deg et scenario for fremtiden dersom bedrifter ikke satser på CSR?

Hva tror du er fremtiden for CSR?